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VETO OF H.R. 1562

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

HIS VETO OF H.R. 1562, A BILL TO ACHIEVE THE OBJECTIVES OF THE MULTI-FIBER ARRANGEMENT AND TO PROMOTE THE ECONOMIC RECOVERY OF THE UNITED STATES TEXTILE AND APPAREL INDUSTRY AND ITS WORKERS

DECEMBER 17, 1985.—Message and accompanying papers ordered to be printed

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WASHINGTON : 1985

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To the House of Representatives:

I am returning herewith without my approval H.R. 1562. It is my firm conviction that the economic and human costs of such a bill run far too high—costs in foreign retaliation against U.S. exports, loss of American jobs, losses to American businesses, and damage to the world trading system upon which our prosperity depends.

At the same time, I am well aware of the difficulties of the apparel, textile, copper, and shoe industries, and deeply sympathetic about the job layoffs and plant closings that have affected many workers in these industries.

As I stated in my trade speech in September, I will not stand by and watch American businesses fail because of unfair trading practices abroad. I will not stand by and watch American workers lose their jobs because other nations do not play by the rules.

I am directing Secretary of the Treasury Baker, as Chairman Pro Tempore of the Economic Policy Council, to investigate the import levels of textiles and apparel to determine if these imports have exceeded those limits agreed upon in international negotiations. I have directed that he report back to me within 60 days and recommend changes in existing administrative and enforcement procedures, if necessary, so that corrective action is taken.

Also, I am directing the Office of the United States Trade Representative to most aggressively renegotiate the Multi-Fiber Arrangement (MFA) on terms no less favorable than present. Our trading partners must be put on notice that we will not allow unfair trading practices to continue. I am further directing Ambassador Yeutter to closely consult with the U.S. textile and apparel industry to ensure that their views will be fully represented during the negotiations.

Finally, I have directed Secretary of Labor Brock to work with the Congress to provide an additional $100 million increase in funds appropriated to help retrain and relocate displaced workers under the Job Training Partnership Act. The Job Training Partnership Act is a more effective way than Trade Adjustment Assistance for the Secretary of Labor to target those American workers and geographic areas most affected. This is the way we can best help dislocated workers—and without pitting one American worker against another.

Free and fair trade policies have helped create nearly 9 million new jobs in the last 3 years and given us the highest rate of employment in our Nation's history. Still, for some workers in troubled industries, these are difficult times. The personal distress of those who lose their jobs is very real. None of us wants to see American workers lose their jobs or American businesses suffer. I pledge to you to do everything possible to combat unfair trade practices. But in so doing we must take wise and positive steps to redress wrongs. To do otherwise would be counterproductive.

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Unfortunately, H.R. 1562 would invite immediate retaliation against our exports resulting in a loss of American jobs in other areas. Because this bill is so sweeping in its provisions, we could expect that retaliation to be extensive. The United States exported tens of billions of dollars worth of goods to the countries which would be most affected by this measure, including approximately a third of our farm exports. Workers in agriculture, aerospace, high-tech electronics, chemicals, and pharmaceuticals would be the first to feel the retaliatory backlash, but the damaging effects would soon be felt by every American in the form of lost jobs, higher prices, and shrinking economic growth.

We are pursuing an aggressive trade policy, based on the knowledge that American know-how is still number one and that American industry thrives on fair competition. Where U.S. industries are hurt by unfair practices, we will continue to take vigorous actions. Where foreign trade barriers lock out U.S. exports, we will do everything in our power to knock those barriers down. Our philosophy will always be to increase trade, increase economic growth, and increase jobs. We want to open markets abroad, not close them at home. In a fair and open world market, we know that America can out-produce and out-compete anybody.

RONALD REAGAN.

THE WHITE HOUSE, *December 17, 1985.*

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Ninety-ninth Congress of the United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Thursday, the third day of January, one thousand nine hundred and eighty-five

An Act

To achieve the objectives of the Multi-Fiber Arrangement and to promote the economic recovery of the United States textile and apparel industry and its workers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—TEXTILE AND APPAREL TRADE ENFORCEMENT

SEC. 101. SHORT TITLE.

This title may be cited as the "Textile and Apparel Trade Enforcement Act of 1985".

SEC. 102. POLICY.

The policy of this title is—

(1) to prevent further disruption of the United States textiles and textile products markets, damage to United States textile and apparel manufacturers, and loss of jobs by United States workers by providing for orderly and nondisruptive growth of imports of textiles and textile products; and

(2) to implement the objectives of the Multi-Fiber Arrangement by requiring the effective enforcement of import levels of textiles and textile products contemplated by the Multi-Fiber Arrangement.

SEC. 103. FINDINGS.

The Congress finds that—

(1) the United States and most major textile producing countries are parties to the Multi-Fiber Arrangement, the purpose of which is to ensure the orderly growth of imports of textiles and textile products and to avoid disruption of the markets for textiles and textile products in importing nations;

(2) the Multi-Fiber Arrangement, which first entered into force on January 1, 1974, and which was most recently extended in December 1981, through July 1986, contemplates a 6 per centum annual rate of growth for imports for most exporting countries and provides for a lower rate of growth for imports from significant exporting countries;

(3) since 1980, the objective of orderly growth of imports of textiles and textile products provided for in the Multi-Fiber Arrangement has not been achieved; from 1981 through 1984 imports of textiles and textile products into the United States have grown at an annual rate of 19 per centum, far in excess of the 1 per centum growth rate of the United States market for textiles and textile products during the same period and far in excess of the annual rate of import growth of less than 2 per centum that prevailed during the period 1974 through 1980;

(4) the disruptive surge in imports of textiles and textile products which occurred from 1981 through 1984 resulted from

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the failure of the United States to enforce adequately its rights under the Multi-Fiber Arrangement and to extend coverage of the Multi-Fiber Arrangement to imports made of competing fibers;

(5) import growth of apparel products has substantially outstripped the growth of the domestic market so that import penetration of the domestic market has more than doubled in the last six years, reaching a level of 50 per centum in 1984;

(6) based on a nationwide audit of major retail outlets, the import penetration of such major items of apparel as trousers, blouses, shirts, suits, skirts, and sweaters exceeds 50 per centum of domestic consumption;

(7) since the most recent extension of the Multi-Fiber Arrangement, certain exporting countries have sharply increased their exports of textiles and textile products made in whole or in part from fibers not subject to the Multi-Fiber Arrangement with the effect of circumventing restraints agreed to under the Arrangement; the increased imports of these textiles and textile products have caused disruption of the United States market for textiles and textile products and have seriously undercut the effectiveness of the Multi-Fiber Arrangement;

(8) imports of textiles and textile products into the United States are predominantly the product of significant producing countries, with five large producing countries now accounting for more than 50 per centum of all imports of textiles and textile products;

(9) the domination of import trade by producers in the significant producing countries has limited participation in the United States market by other producing countries, many of which share important trade and other national interests, and encourage mutually beneficial trade and investment, with the United States;

(10) a change in United States textile trade policy to afford the smaller producing countries and countries in the Caribbean region a relatively greater share of imports of textiles and textile products would promote the national economic interests of the United States;

(11) the textile and apparel trade deficit of the United States was more than $16,200,000,000 in 1984, an increase of 53 per centum over 1983, and accounted for 13 per centum of the Nation's overall merchandise trade deficit;

(12) the current level of imports of textiles and textile products, ten billion square yard equivalents in 1984, represents over one million job opportunities lost to United States workers;

(13) imported textiles and textile products now account for 38 per centum (the equivalent of three million two hundred thousand bales of cotton) of the annual cotton consumption in the United States; only one of five of the bale equivalents included in imported textiles and textile products is grown in the United States; the result of the massive increases in cotton textile and apparel imports has been a declining market share for, and a $1,000,000,000 loss to, domestic cotton producers in 1983 alone, which was only partially offset by Federal cotton program benefits; another result is that United States cotton producers, who are spending about $20,000,000 annually in research and

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promotion efforts, have built markets not for themselves but for foreign growers;

(14) imports of wool products have doubled since 1980, creating major disruptions among domestic wool products producers and seriously depressing the price of United States produced raw wool; the Multi-Fiber Arrangement recognizes that imports of certain products, such as wool products, in certain countries, including the United States, pose particular problems for certain industries, such as, the wool products industries in those countries and import growth rates of 1 per centum or less have been permitted in such cases;

(15) as a result of this increased penetration and the very limited growth of the domestic market, the United States companies producing textiles and textile products identical, or similar, to those imported have been seriously damaged, many of them have been forced out of business, many have closed plants or curtailed operations, workers in such companies have lost employment and have been otherwise materially and adversely affected, and serious hardship has been inflicted on hundreds of impacted communities causing a substantial reduction in economic activity and lost revenues to local governments;

(16) the increase in imports and increased import penetration of the United States domestic market have occurred notwithstanding the fact that, through extensive modernization programs and investment in more modern equipment, productivity, as measured by output per man hour, in the textile mill products sector has increased in the last ten years at the average annual rate of 4.2 per centum and in the apparel sector at the average annual rate of 3.4 per centum, as compared with the lower productivity growth of all manufacturing in the same period of 1.9 per centum;

(17) the factors described above are causing serious damage, or the actual threat thereof, to domestic producers of textiles and textile products; as a result, market disruption exists in the United States requiring the new measures established under this Act;

(18) based on experience during the past ten years and on other factors, the growth of the United States market for textiles and textile products is unlikely to exceed an average annual rate of 1 per centum during the next several years;

(19) if the rate of growth of imports of textiles and textile products into the United States that occurred since 1980 continues, plant closings will continue to accelerate, leaving the United States market with reduced domestic competition for imported products;

(20) in order to avoid further market disruption and deterioration of the situation confronting the United States industry producing textiles and textile products, which is already seriously damaged, it is essential—

(A) to require the establishment of import levels for textiles and textile products supplied by major producing countries that reflect—

(i) the import level that would have occurred had imports from these countries grown since 1980 by the 6 per centum annual growth rate contemplated by the

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Multi-Fiber Arrangement, or 1 per centum in the case of wool products, or

(ii) the actual import level resulting from restraints under a bilateral agreement with the United States providing for an annual import growth rate of less than 6 per centum,

whichever is the lesser,

(B) to require the establishment of import levels for textiles and textile products supplied by producing countries that reflect their 1984 import levels,

(C) to require the establishment of import levels for textiles and textile products supplied by small producing countries that provide a significant increase in their market shares to meet their development needs and to permit future growth in such shares consistent with the Multi-Fiber Arrangement, and

(D) to limit the future growth rate of imports of textiles and textile products into the United States to levels which reflect orderly growth as provided for in the Multi-Fiber Arrangement and the most recent Protocol extending the Multi-Fiber Arrangement;

(21) the establishment of import levels, and limitation of future import growth to levels, that reflect effective enforcement of the Multi-Fiber Arrangement and that also reflect the expected growth rate of the United States market for textiles and textile products will fulfill announced policy objectives of the United States regarding trade in textiles and apparel;

(22) as the Department of Defense has long recognized, a strong, viable and efficient domestic textiles and textile products industry is essential in order to avoid impairment of the national security of the United States;

(23) the developments that have led to the sharp increase in imports of textiles and textile products since 1980 may not have been foreseeable; nevertheless, the rights of the United States under international agreements should have been invoked in order to prevent increased quantities of textiles and textile products from being imported under such conditions as to cause or threaten serious damage to domestic producers of textiles and textile products in the United States; and

(24) the sharp increase in imports of textiles and textile products since 1980, and the effect of this increase on the United States textiles and apparel industry and its workers, constitutes exceptional circumstances within the meaning of the Multi-Fiber Arrangement and its Protocol.

SEC. 104. DEFINITIONS.

For purposes of this title—

(1) The term "textiles and textile products" includes, but is not limited to, all tops, yarns, man-made fibers, piece goods, made-up articles, apparel, and other textile manufactured products (which derive their chief characteristics from their textile components) made in whole or in part from any natural or manmade fiber, or blend thereof, that are classified under schedule 3, part 6 of schedule 6, parts 1 (except subpart A but including item number 700.75), 4, 5 (except subpart E), 7 or 13 (except item number 790.57) of schedule 7, or part 1 of schedule 8 of the Tariff Schedules of the United States, or part 1 of the

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Appendix to the Tariff Schedules of the United States; such term does not include apparel containing 70 per centum or more by weight of silk except articles classified under item numbers 373.20 and 373.22 of the Tariff Schedules of the United States;

(2) The term "category" means, with respect to textiles and textile products that are the product of a country, each of the following—

(A) each category of textiles and textile products identified by a three-digit textile category number in the Department of Commerce publication "Correlation: Textile and Apparel Categories with Tariff Schedules of the United States Annotated", dated January 1985 and, subsequently, in the first edition of such document that is revised to reflect the adoption by the United States of the Nomenclature Structure of the Harmonized System;

(B) with respect to each country with which the United States has (i) an agreement on the date of enactment of this title limiting exports of textiles and textile products to the United States that includes specific limitations on subdivisions of a category described in subparagraph (A), or (ii) taken unilateral action to limit products entered under such a subdivision, each such subdivision;

(C) a category consisting of the man-made fiber products not covered by a category described in subparagraph A and classified under subpart E of part 1 of schedule 3 to the Tariff Schedules of the United States; and

(D) each category consisting of each of the following products when, because of fiber content, that product is not subject to the Multi-Fiber Arrangement:

(i) yarn,
(ii) fabric,
(iii) apparel, and
(iv) other textile products;

(3) The term "import sensitive category" means—

(A) each category (other than a category applicable to textiles and textile products that are a product of a country in the Caribbean region) for which the ratio of imports to domestic production, as reported in the Department of Commerce publication "U.S. Production, Imports and Import/Production Ratios for Cotton, Wool and Man-Made Fiber Textiles and Apparel", equals or exceeds 40.0 for the preceding calendar year; and

(B) each category covering wool products;

(4) The term "country" means a foreign country (other than Canada and the Member States of the European Economic Community as constituted on January 1, 1985), a foreign territory, an insular possession of the United States, or any other territory, possession, colony, trusteeship or political entity, whether affiliated with the United States or not, that is outside the customs territory of the United States;

(5) The term "major producing country" means a country the annual aggregate quantity of textiles and textile products of which that entered under the categories referred to in subparagraph (2)(A) of this section during calendar year 1984 equaled or exceeded 10 per centum of all textiles and textile products under such categories that entered from all countries and from

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Canada and the Member States of the European Economic Community during calendar year 1984;

(6) The term "producing country" means a country (other than a major producing country and a country in the Caribbean region) the annual aggregate quantity of textiles and textile products of which that entered under the categories referred to in subparagraph (2)(A) of this section during calendar year 1984 equaled or exceeded 1.25 per centum of all textiles and textile products under such categories that entered from all countries and from Canada and the Member States of the European Economic Community during calendar year 1984;

(7) The term "small producing country" means a country other than a major producing country and a producing country;

(8) The term "country in the Caribbean region" means the United Mexican States and a country eligible for designation as a beneficiary country under section 212 of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2702);

(9) The term "wool product" means an article containing over 17 per centum by weight;

(10) The term "cotton, wool and man-made fiber sweaters" means articles classified under categories 345, 445, 446, 645 or 646 as defined in the Department of Commerce publication "Correlation Textile and Apparel Categories with Tariff Schedules of the United States Annotated," dated January 1985;

(11) The term "entered" means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States; and

(12) The term "Multi-Fiber Arrangement" means the Arrangement Regarding International Trade in Textiles, as extended by the Protocol done at Geneva, December 22, 1981.

SEC. 105. LIMITS ON TEXTILE AND APPAREL IMPORTS.

(a) CALENDAR YEAR 1985.—Notwithstanding any other provision of law, the aggregate quantity of textiles and textile products classified under a category that is entered during calendar year 1985 shall not exceed—

(1) in the case of textiles and textile products that are a product of a major producing country, other than textile luggage, textile handbags, and textile flat goods subject (as of the date of enactment of this title) to a specific limitation under an agreement with a major producing country) the lesser of an amount equal to 101 per centum (A) of the aggregate quantity of such products of such country classified under such category that would have entered during calendar year 1984 if the aggregate quantity of such products of such country classified under such category entered during calendar year 1980 had increased by 6 per centum annually, or 1 per centum annually in the case of a category covering a wool product, during calendar years 1981, 1982, 1983, and 1984, or (B) if the United States has an agreement with such country providing for an annual growth rate for such category of less than 6 per centum, of the aggregate quantity of such products of such country classified under such category that entered during calendar year 1984;

(2) in the case of textile luggage, textile handbags, and textile flat goods subject (as of the date of enactment of this title) to specific limitation under an agreement with a major producing

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country, the specific limitation quantity in effect as of the date of enactment of this title;

(3) in the case of textiles and textile products that are a product of a producing country, an amount equal to the aggregate quantity of (A) such products of such country classified under such category that entered during calendar year 1984, or (B) in the case of textile luggage, textile handbags, and textile flat goods subject (as of the date of enactment of this title) to specific limitation under an agreement with an exporting country, the specific limitation quantity in effect as of the date of enactment of this title;

(4) in the case of textiles and textile products that are a product of a small producing country (other than cotton, wool, and man-made fiber sweaters described in paragraph (5)), an amount equal to the sum of (A) the aggregate quantity of such products of such country classified under such category that entered during calendar year 1984, plus (B) an amount equal to (i) 15 per centum of such quantity, in the case of a category that is not an import sensitive category, or (ii) 1 per centum of such quantity, in the case of a category that is an import sensitive category; and

(5) in the case of cotton, wool, and man-made fiber sweaters that are—

(A) the product of substantial assembly operations in Guam from otherwise completed knit-to-shape component parts, an aggregate amount equal to 160,000 dozen; and

(B) the product of substantial assembly operations in the Commonwealth of the Northern Mariana Islands from otherwise completed knit-to-shape component parts, an aggregate amount equal to 70,000 dozen.

If application of paragraph (1) would result in the aggregate quantity of textiles and textile products of a major producing country classified under all categories permitted to enter during calendar year 1985 to be less than 70 per centum of the aggregate quantity of such products of such country that entered during calendar year 1984, then, notwithstanding paragraph (1), the aggregate quantity of textiles and textile products of such country that may be entered under each category during calendar year 1985 shall not be less than 40 per centum of the aggregate quantity of such products of such country that entered under such category during calendar year 1984.

(b) GROWTH ADJUSTMENT.—For calendar years after 1985, the aggregate quantity of textiles and textile products classified under each category that may be entered during each such calendar year shall—

(1) in the case of such products that are a product of a major producing country or of a producing country, be increased by an amount equal to 1 per centum of the aggregate quantity that could be entered under such category during the preceding calendar year; and

(2) in the case of such products that are a product of a small producing country, be increased by an amount equal to—

(A) in the case of a category (other than an import sensitive category), 6 per centum of the aggregate quantity that could be entered under that category during the preceding calendar year, and

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(B) in the case of an import sensitive category, 1 per centum of the aggregate quantity that could be entered under that category during the preceding calendar year.

If the aggregate quantity that could be entered under a category for a calendar year after 1985 is reduced under section 111(b), then, in the first calendar year in which there is no such reduction, this subsection shall be applied as if there had been no reduction under section 111(b) in previous calendar years.

(c) MINIMUM QUANTITIES.—If, under subsection (a) or (b), the aggregate quantity of textiles and textile products of a country that may be entered during a calendar year under a category is—

(1) less than one million square yard equivalents, in the case of a category covering yarn, fabric, made-ups, and miscellaneous products, other than wool products;

(2) less than seven hundred thousand square yard equivalents, in the case of a category covering apparel, other than wool products apparel; or

(3) less than one hundred thousand square yard equivalents, in the case of a category covering wool products,

then, notwithstanding subsection (a) or (b), the aggregate quantity of textiles and textile products of such country that may be entered under such category during the calendar year shall be one million, seven hundred thousand, or one hundred thousand square yard equivalents, respectively. The amount prescribed in the preceding sentence shall be accorded growth subject to the provisions of subsection (b) beginning the first calendar year after the aggregate quantity of products of such country entered under such category equals the minimum quantity prescribed under this subsection.

(d) SPECIAL RULE.—For purposes of this section, if during any calendar year after 1984, the aggregate quantity of textiles and textile products that are the product of a small producing country (other than a country in the Caribbean region) and that are entered under the categories referred to in subparagraph 2(A) of section 104 of this title equals or exceeds 1.25 per centum of all textiles and textile products entered under such categories from all countries and from Canada and the Member States of the European Economic Community during such calendar year, then such small producing country shall be considered to be a producing country for all succeeding calendar years.

(e) ENFORCEMENT.—The Secretary of Commerce shall prescribe such regulations governing the entry, or withdrawal from warehouse, for consumption of textiles and textile products as may be necessary to carry out this title.

SEC. 106. IMPORT LICENSING.

In order to ensure the equitable and efficient administration of section 105 of this title, the Secretary of Commerce shall, within six months after the date of enactment of this title, establish and administer an import licensing system under which an importer of any textiles and textile products from any country and from Canada and the Member States of the European Economic Community, will be required to present an import permit as a condition of entry. The Secretary shall charge a fee for import licenses in such amount as may be necessary to cover the cost of administration of the system. The Secretary of the Treasury shall make all determinations regarding classification under the Tariff Schedules of the United States,

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appraisement, and valuation of products subject to licensing under this section.

SEC. 107. ANNUAL REPORT.

Not later than March 15, 1986, and March 15 of each calendar year thereafter, the President shall submit to the Congress a report on the administration of this title during the preceding calendar year. Such report shall include detailed information about the implementation and operation of the limitations established under section 105. The report shall also include a detailed report by the Department of Commerce on the implementation and enforcement for the provisions of this title exempting from import limitations certain articles of silk apparel, with special regard to the extent to which nonsilk articles, and silk articles not exempt from import limitations, are erroneously or fraudulently classified as silk items exempt from import limitations and are entered under this title. All departments and agencies shall cooperate in preparation of this report as requested by the President.

SEC. 108. REVIEW.

The Secretary of Commerce shall commence ten years after the date of enactment of this title a formal review of the operation of the Textile Import Control Program under the provisions of this title. The Secretary shall consult Members and committees of Congress, representatives of the labor unions and the industries affected by the program, the Secretary of the Treasury, and other appropriate government officials. Within six months after the commencement of the study, the Secretary shall submit to Congress his findings as well as his recommendations for the future conduct of the program.

SEC. 109. DUTY FREE ENTRY OF CERTAIN SWEATERS FROM GUAM AND THE NORTHERN MARIANAS.

Subpart A of part 7, schedule 3 of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by adding at the end thereof the following new item:

"	385.97	Cotton, wool and man-made fiber sweaters that are entitled to enter under the quotas established under section 105(a)(5) of the Textile and Apparel Trade Enforcement Act of 1985 or the increased quotas under section 105(b) of such Act that adjust the quotas under such section 105(a)(5) and that do not contain foreign materials to the value of more than 50 percent of their total value as this standard is applied pursuant to Headnote 3(a) of the General Headnotes and Rules of Interpretation	Free		".

SEC. 110. PRODUCTS OF THE INSULAR POSSESSIONS OF THE UNITED STATES.

(a) GENERAL RULE.—Notwithstanding section 104(4) of this title, textiles and textile products that are the product of an insular possession of the United States shall not be considered to be products of a country, within the meaning of section 104(4), if such products meet the requirements of subsection (b).

(b) POSSESSION CONTENT.—

(1) Subsection (a) shall apply to an article if—

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(A) that article is imported directly from an insular possession of the United States into the customs territory of the United States; and

(B) the sum of (i) the cost or value of the materials produced in such insular possession of the United States or in the customs territory of the United States plus (ii) the direct costs of processing operations performed in such insular possession of the United States is not less than 85 per centum of the appraised value of such article at the time it is entered.

(2) The Secretary of the Treasury shall prescribe such regulations as may be necessary to carry out this section, except that the rules of origin contained in 19 CFR 12.130 shall be the rules of origin for purposes of this section.

(3) As used in this subsection, the phrase "direct costs of processing operations" includes—

(A) all actual labor costs attributable to permanent residents of the insular possession involved in the growth, production, manufacture, or assembly of the specific merchandise, including fringe benefits, on-the-job training and the cost of engineering, supervisory, quality control, and similar personnel; and

(B) dies, molds, tooling, and depreciation on machinery and equipment which are allocable to the specific merchandise.

Such phrase does not include costs which are attributable to nonpermanent resident labor, are not directly attributable to the merchandise concerned, or are not costs of manufacturing the product, such as (i) profit, and (ii) general expenses of doing business which are either not allocable to the specific merchandise or are not related to the growth, production, manufacture, or assembly of the merchandise, such as administrative salaries, casualty and liability insurance, advertising, and salesmen's salaries, commissions or expenses.

SEC. 111. EFFECTIVE DATE.

(a) IN GENERAL.—Subject to the provisions of subsection (b), the provisions of this title shall apply to textiles and textile products entered, or withdrawn from warehouse, for consumption on or after the date of enactment of this title.

(b) CALENDAR YEARS 1985 AND 1986.—The Secretary of Commerce shall prescribe by regulation the aggregate quantity, if any, of textiles and textile products that may be entered under section 105 (a) or (c) of this title from each country under each category during the period beginning on the date of enactment of this title and ending December 31, 1985. Notwithstanding subsection (a), to the extent that the aggregate quantity of imports of textiles and textile products of a country entered under a category after December 31, 1984, and before the date of enactment of this title exceeds the quantity permitted entry for such products of such country and such category during calendar year 1985 under subsection 5 (a) or (c) of section 105, then the limit that would otherwise apply under section 105 (b) or (c) for such category for such country for calendar year 1986 shall be reduced by the amount of such excess quantity. If such excess quantity exceeds the limit that would otherwise apply under section 105 (b) or (c) for such category for such country for calendar year 1986 shall be reduced by the amount of such excess quantity. If

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such excess quantity exceeds the limit that would otherwise apply under section 105(b) for such category for such country for calendar year 1986, then the limit for such category and country for calendar years after 1986 shall be reduced until such excess is accounted for.

TITLE II

SEC. 201. SHORT TITLE.

This title may be cited as the "American Footwear Industry Recovery Act of 1985".

SEC. 202. FINDINGS AND PURPOSE.

(a) The Congress finds that—

(1) The domestic nonrubber footwear industry is important to the national economy, and footwear firms are vital to the economic health of small towns throughout the United States.

(2) The domestic nonrubber footwear industry is highly labor intensive, and low capital requirements for entry into footwear production make it a primary target for industrializing or newly industrialized countries. As a consequence, footwear is produced in virtually every footwear consuming country in the world.

(3) Tremendous competitive pressure has been created in the world footwear market in the last decade as a result of rapidly growing production and capacity in numerous developing and developed countries. This development has resulted in the widespread erection of tariff and nontariff barriers by foreign countries designed to protect their domestic footwear industries.

(4) The United States has historically resisted the protectionist trends of other producing nations and has instead maintained a market distinguished by its accessibility. As a result, the United States market has become a focal point for world trade in nonrubber footwear.

(5) The diversion of international trade to the United States market has resulted in serious injury to domestic producers as manifested by—

(A) the loss of 155,000 footwear jobs since 1968,

(B) a decline in domestic production and production capacity, and

(C) the permanent closure of over 500 plants during the same period.

(6) The serious injury to domestic producers poses a significant danger to the industry's supplier base as well.

(7) The domestic nonrubber footwear producers have made a significant commitment to the future of the industry through substantial capital investment.

(8) Since the termination of temporary import relief in 1981, capital investment in the domestic nonrubber footwear industry has declined as the industry struggled to battle the massive surge in imports which increased the percentage share of imported footwear in the United States market from, 51 per centum in 1981 to 77 per centum in 1985.

(9) Without the restriction of import levels, capital investment in this domestic industry will continue to decrease.

(10) The domestic nonrubber footwear industry has thrice been judged by the International Trade Commission, as recently as May 1985, to be seriously injured by imports.

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(11) Since the termination of the two, 4-year orderly marketing agreements in 1981, the harm to the domestic industry is even more critical than the serious injury which triggered the Commission's unanimous findings in 1976 and 1977.

(12) The domestic nonrubber footwear industry has not been afforded adequate and appropriate relief from imports; therefore, the Congress concludes that—

(A) the administrative process under sections 201, 202, and 203 of the Trade Act of 1974 has proven inadequate; and

(B) in the absence of and effective remedy under such process, legislative relief is essential.

(b)(1) It is the purpose of Congress in enacting this section to—

(A) promote and expand the economic health of the United States nonrubber footwear industry,

(B) preserve the jobs of American workers, and

(C) prevent the further decline of this important domestic industry.

(2) It is declared to be the policy of Congress that access to the United States market for foreign-produced nonrubber footwear should be on an equitable basis to ensure orderly trade in nonrubber footwear, reduce unfair trade in nonrubber footwear, and address United States balance-of-payments problems, of which footwear is the seventh largest component. In order to accomplish these objectives, it is deemed necessary and appropriate to limit imports of nonrubber footwear into the United States market.

SEC. 203. DEFINITIONS.

For purposes of this title—

(1) The term "entered" means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States.

(2) The term "Secretary" means Secretary of Commerce.

(3) The term "nonrubber footwear" means the following categories of nonrubber footwear products, identified by reference to the following item numbers of the Tariff Schedules of the United States (as in effect on January 1, 1985): 700.05 through 700.45; 700.56; 700.72 through 700.83; and 700.95; except alpine (down hill) ski boots and nordic (cross country and jumping) ski boots.

(4) The term "apparent domestic consumption" means, with respect to any 1-year period, the sum of imports plus domestic production less exports.

SEC. 204. QUANTITATIVE LIMITATION ON NONRUBBER FOOTWEAR.

(a)(1) During the 8-year period beginning on the date of enactment of this title, the aggregate number of pairs of nonrubber footwear which may be entered during any 1-year period shall not exceed 60 per centum of the estimated apparent domestic consumption of nonrubber footwear for such period.

(2) The quantitative limitation imposed by paragraph (1) for any 1-year period shall be distributed among the following categories of nonrubber footwear so that the aggregate number of pairs of nonrubber footwear in such category which may be entered during any 1-year period shall not exceed the quantity equal to—

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(A) in the case of nonrubber footwear with a customs value that does not exceed $1.25 per pair, 10 per centum of apparent domestic consumption of nonrubber footwear for such period,

(B) in the case of nonrubber footwear with a customs value that exceeds $1.25 per pair but does not exceed $2.50 per pair, 5.4 per centum of apparent domestic consumption of nonrubber footwear for such period, and

(C) in the case of nonrubber footwear with a customs value that exceeds $2.50 per pair, 4.6 per centum of apparent domestic consumption of nonrubber footwear for such period.

(b) Within 60 days after the effective date of this title, and on the first day of the fourth quarter of each 1 year period thereafter, the Secretary shall determine on the basis of the best information available, including his own or independent forecasts, the expected apparent domestic consumption of nonrubber footwear for, in the case of the initial determination, the remainder of the current 1 year period and in the case of the first day of the fourth quarter of each 1 year period thereafter, the next succeeding 1 year period. On each such date, the Secretary shall determine and publish in the Federal Register the allocation for the next succeeding 1 year period of permissible imports of nonrubber footwear as required by this section.

(c) On the first days of the first, second, and third quarters of each 1 year period, the Secretary shall revise the determinations of expected apparent domestic consumption made under subsection (b) for the current 1 year period on the basis of the best information then available and shall make such adjustments in the quantity of nonrubber footwear permitted to be imported under this section as indicated by the revision. All revisions and adjustments made under this subsection shall be published in the Federal Register.

(d) If the revised determination of expected apparent domestic consumption published in the Federal Register under subsection (c) on the first day of the third quarter in any 1 year period for nonrubber footwear varies from the actual apparent domestic consumption of nonrubber footwear for such 1 year period, the Secretary shall publish in the Federal Register on the first day of the second quarter of such succeeding 1 year period a revision to the determination of expected apparent domestic consumption for such 1 year period made under subsection (c) of this section. The revision shall be in the amount of such variance and shall be in addition to any other revision that would be made on any such first day of the second quarter under subsection (c) of this section.

(e)(1) The Secretary and the Secretary of the Treasury shall take such actions within their respective jurisdictions as may be necessary or appropriate to enforce the provisions of this section, including without limitation, the issuance of orders to Customs officers to bar entry to merchandise if the entry of such merchandise would cause the limitations established under this section to be exceeded.

(2)(A) The Secretary and the Secretary of the Treasury are each authorized to issue such implementing regulations, including the issuance of import licenses, as may be necessary or appropriate to effect the purposes of this section and to enforce the provisions of this section.

(B) Before prescribing any regulations under subparagraph (A), the Secretary or the Secretary of the Treasury, as the case may be, shall—

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(i) consult with interested domestic parties,

(ii) afford an opportunity for such parties to comment on the proposed regulations, and

(iii) consider all such comments before prescribing final regulations.

SEC. 205. COMPENSATION AUTHORITY.

For purposes of section 123 of the Trade Act of 1974 (19 U.S.C. 2133), the imposition of the quantitative limitation under section 204 shall be treated as action taken under section 203 of the Trade Act of 1974 (19 U.S.C. 2253).

TITLE III—COPPER

SEC. 301. SHORT TITLE.

This title may be cited as the "Copper Free Market Restoration Act of 1985".

SEC. 302. FINDINGS, PURPOSE, AND POLICY.

(a) FINDINGS.—The Congress finds that—

(1) the copper industry of the United States is critical to the national defense and the maintenance of a strong economy, but has suffered a substantial economic setback, including a 50 per centum reduction in employment levels, a 25 per centum drop in production, the closure of 16 major mines, and the permanent loss of copper reserves;

(2) the substantial economic setback to the domestic copper industry is attributable to the steep decline in world copper prices that has resulted from—

(A) the continued overproduction of copper by government-owned foreign producers that—

(i) have been encouraged to overproduce by their host governments in order to generate foreign exchange and maintain employment levels, and

(ii) enjoy unfair competitive advantage over United States producers because of subsidized loans from their governments and from international lending institutions, such as the World Bank, and the absence of adequate environmental regulation; and

(B) the overvaluation of the dollar and its impact on domestic copper prices;

(3) the extent of the economic setback to the domestic copper industry was documented in 1984 when the United States International Trade Commission unanimously found that the industry had been injured by foreign competition under the terms of section 201 of the Trade Act of 1974 and recommended that appropriate relief be granted;

(4) while copper producers in the United States have made a substantial commitment to the modernization of the industry, more improvements are needed, and the reinvestment in the United States copper industry that is needed for those improvements is seriously jeopardized by the failure of existing trade statutes to deal effectively with the problem of excess world production; and

(5) a 5-year stabilization of foreign copper production is needed if the domestic copper industry is to attract the necessary capital for reinvestment.

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(b) PURPOSE.—The purpose of this title is to—

(1) ensure an adequate supply of domestic copper,

(2) expand employment in the copper industry, and

(3) stabilize foreign copper production at levels that will enable domestic copper producers to make necessary improvements and modernization.

(c) POLICY.—The Congress declares it to be the national policy that the United States must seek to negotiate agreements temporarily limiting copper production by foreign copper producers so that the purposes of this title can be fulfilled.

SEC. 303. DEFINITIONS.

For purposes of this title—

(1) The term "agreement negotiation period" means the 9-month period beginning on the first day of the first calendar month beginning after the date of enactment of this Act.

(2) The term "major copper producing country" means any foreign country whose production of unwrought copper during 1984 exceeded 300,000 metric tons.

(3) The term "significant copper producing country" means any foreign country whose production of unwrought copper during 1984 exceeded 200,000 metric tons but did not exceed 300,000 metric tons.

(4) The term "unwrought copper" means articles provided for in items 612.02 through 612.06 of the Tariff Schedules of the United States.

(5) The term "restraint period" means the 5-year period beginning at the close of the agreement negotiation period.

SEC. 304. NEGOTIATIONS AND ACTION REGARDING AGREEMENTS TO VOLUNTARILY RESTRAIN COPPER PRODUCTION.

(a) NEGOTIATIONS.—

(1) The President, acting through the United States Trade Representative and the Secretary of the Interior, shall undertake negotiations during the agreement negotiation period with all major copper producing countries for the purpose of obtaining voluntary restraint agreements under which the aggregate production of unwrought copper by the major copper producing countries during each 1-year period within the restraint period will not exceed the aggregate production of unwrought copper by those countries during calendar year 1982.

(2) The President, acting through the United States Trade Representative and the Secretary of the Interior, shall undertake negotiations during the agreement negotiation period with all significant copper producing countries for the purpose of obtaining voluntary restraint agreements under which the aggregate production of unwrought copper by the significant copper producing countries during each 1-year period within the restraint period will not exceed the sum of—

(A) the aggregate production of unwrought copper by those countries during calendar year 1984, plus

(B) the estimated growth in demand for unwrought copper for such 1-year period within the restraint period.

(b) REPORTS.—

(1) At the close of each 3-month period within the agreement negotiation period, the President shall submit to the Congress a

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report on the progress of negotiations conducted under subsection (a). Such report shall—

(A) set forth the terms of any voluntary restraint agreement that has been entered into under subsection (a) during such 3-month period,

(B) contain a summary of the actions taken by the President during such 3-month period to obtain agreements under subsection (a) with each major copper producing country and significant copper producing country that has not entered into such an agreement,

(C) contain a summary of the responses (including counteroffers) made during such 3-month period by each of the countries described in subparagraph (B) to the actions of the President described in subparagraph (B),

(D) include a description of the obstacles and objections encountered by the President during such 3-month period to the achievement of agreements under subsection (a), and

(E) include an assessment of whether each country described in subparagraph (B) is negotiating in good faith.

(2) The final report that is required to be submitted under paragraph (1) shall include—

(A) a determination by the President of whether the agreements entered into under subsection (a) will achieve the purposes of this title, and

(B) recommendations of the President regarding any actions that should be taken against any major copper producing country or significant copper producing country which refuses to enter into a voluntary restraint agreement under subsection (a).

(c) ACTION IF VOLUNTARY RESTRAINT AGREEMENTS TAKE EFFECT.—If voluntary restraint agreements described in subsection (a) take effect between the United States and the major copper producing countries or significant copper producing countries—

(1) the United States Trade Representative, with the cooperation of other appropriate Federal officers, shall monitor the production of unwrought copper by those countries during each 1-year period within the restraint period for the purpose of ascertaining if the terms of the agreements are being complied with during such 1-year period, and

(2) the United States Trade Representative shall, within 30 days after the close of each 1-year period within the restraint period, report to the Congress on the results of the monitoring carried out during such 1-year period.

TITLE IV—FOREIGN LABOR PRACTICES

SEC. 401. REPORTS.

(a)(1) The United States International Trade Commission shall conduct a study of the wage rates, labor costs, and other labor practices of each foreign country which had a surplus in the balance of trade between the United States and such foreign country for calendar year 1984 that exceeded $4,000,000,000. Such study should consider labor practices existing throughout the economy of each of such countries and the labor practices of the industries in each of such countries that were responsible for such balance of trade surplus.

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(2) The study conducted under paragraph (1) shall include, with respect to each foreign country described in paragraph (1), analyses of—

(A) the effects of the labor practices of such foreign country studied under paragraph (1) on the competitive position of United States exports in foreign markets and in United States markets,

(B) the relationship between—

(i) the wages and other compensation paid to workers in United States industries producing goods that face substantial competition from products of such foreign country, and

(ii) the wages and other compensation paid to workers in such foreign country who produce such competitive products,

(C) the relationship, if any, between the labor practices of such foreign country studied under paragraph (1) and the cultural, religious, and political practices or values of such foreign country,

(D) the extent to which such labor practices are encouraged or enforced by the government of such foreign country,

(E) the history, duration, and extent of such labor practices, and

(F) the extent to which private or public forces that are anticompetitive encourage such labor practices.

(3) By no later than the date that is 9 months after the date of enactment of this Act, the United States International Trade Commission shall submit a report on the study conducted under paragraph (1) to the Congress, the Secretary of Labor, and the Secretary of Commerce.

(b)(1) The Secretary of Labor and the Secretary of Commerce shall each conduct a separate investigation to—

(A) identify each of the labor practices discussed in the report submitted under subsection (a)(3) that—

(i) is illegal under existing laws of the United States or of any State, or

(ii) should be prohibited by all countries under an international labor law code,

(B) determine what labor principles and rules should be included in an international labor law code, and

(C) determine the issues involved in, and the prospects for achieving, the elimination of labor practices identified under subparagraph (A) through negotiations with foreign countries.

(2) By no later than 3 months after the date on which the report is submitted under subsection (a)(3), the Secretary of Labor and the Secretary of Commerce shall each submit to the Congress a report on the investigation conducted under paragraph (1).

THOMAS P. O'NEILL, Jr.,
Speaker of the House of Representatives.

STROM THURMOND,
President of the Senate, pro tempore.

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